



DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

ASSISTANT SECRETARY

August 5, 1981

MEMORANDUM FOR THE CABINET COUNCIL ON ECONOMIC AFFAIRS

FROM:

MARC E. LELAND

SUBJECT:

Cancun Summit: Background for CCEA Discussions
on August 6, 1981

The Cancun Summit, co-hosted by Mexican President Lopez Portillo and Austrian Chancellor Kreisky, will involve 22 Heads of State and their Finance and Foreign Ministers from industrialized and developing countries (Annex I). Participants will exchange views on the "future of international cooperation for development and the reactivation of the world economy." The Summit was originally conceived by the Brandt Commission to organize a program of priorities on North-South issues, but was embraced by the co-hosts and other sponsors to provide impetus to the stagnating North-South dialogue.

Last weekend's preparatory meeting of Foreign Ministers dealt with procedural rather than substantive matters. Canadian Minister MacGuigan gave a report on the Ottawa Summit communique, which was perceived as a positive step in relations between developed and developing countries. The meeting confirmed that no substantive decisions will be taken at the Summit, there will be no fixed agenda to channel discussions, and no communique will be issued.

The main area of concern raised by the preparatory meeting, however, is the press release (Annex II) indication that the Summit should "facilitate agreement" on the stalled Global Negotiations (GN) -- a statement drawn from the formal invitation to Heads of State to attend the Summit. While President Reagan's written acceptance directly challenged the GN-Cancun linkage by stating that the Summit should not "take up procedural questions pending in other fora," all participants except the United States felt that Global Negotiations would be an appropriate topic for discussion at Cancun. Although all others also indicated a hope that there would be an agreement on Global Negotiations, not all agreed that it should be the purpose of the meeting. Unless the United States is willing to capitulate and be led into GN, President Reagan will have to be prepared to take a strong stand against GN, or at least maintain total unwillingness to discuss the issue at all until after Cancun.

Marc E. Leland
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In order to avoid the global negotiations, the President will need a plan for a follow-up on the Summit, possibly another meeting of the same group a year or two later in Austria (the country co-hosting the Cancun Summit). It is unlikely that such a proposal would be acceptable as the LDCs at the August 1 meeting stressed the fact that the Summit was in no way to be a substitute for Global Negotiations.

It is clear that there could be no advantage to the United States joining GN as the basic concept is that a central body under United Nations auspices would negotiate on a wide range of economic issues (the same issues that will be discussed at the Summit, i.e., energy, food, trade, development and monetary) and through a process of trade-offs among the substantive areas some sort of package agreements could be reached. There would be almost nothing in the package that would be an advantage to the United States. The issue would be a matter of how much could be taken from the developed world (and particularly the United States) and given to the developing world. Global Negotiations would constitute a bloc-oriented process wherein the LDCs (the so-called G-77 -- now comprising over a hundred nations) would stay together as a bloc whereas the developed nations would not.

If the United States decides to delay its rejection of the GN until after the Summit, it would still have to come up with alternative ideas which would involve showing how all the topics to be discussed in GN could more properly be discussed in other fora. (See Annex III)

At the August 1 meeting there was no indication of the substance of GN other than the statement that it was to be for negotiating a "new international economic order." If the United States is to stay out of GN, it will have to be prepared to show how the negotiations would tend to undermine existing institutions and would be inconsistent with the Reagan policy against increased bureaucracy -- they would create another unwieldy international bureaucracy to perform functions already better performed elsewhere. In addition, GN would accentuate the "North-South" differences and be antithetical to the Administration's preference for dealing with developing countries on an individual or regional basis and addressing concrete problems in an pragmatic manner.

The August 1 meeting did not commit the United States to GN but each statement on the issue (e.g., the Ottawa Communique, the Cancun press release) moves the U.S. closer to commitment.

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Before the Summit, there will have to be a firm decision to resist all pressure to be dragged into Global Negotiations or the United States will be forced to accept them. A decision will have to be made that whatever the pressures, it is better to keep out now than to have to walk out after they have begun.

Attachments

Annex I
Annex II
Annex III

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A n n e x I

List of countries whose Heads of State or of Government are being invited to the International Meeting on Cooperation and Development.

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|-----------------------------|-----------------------------|
| Algeria | Japan |
| Austria | Mexico |
| Bangladesh | Nigeria |
| Brazil | Philippines |
| Canada | Saudi Arabia |
| China | Sweden |
| France | United Kingdom |
| Federal Republic of Germany | United Republic of Tanzania |
| Guayana | United States of America |
| India | Venezuela |
| Ivory Coast | Yugoslavia |

In accordance with the decision of the Second Vienna Consultations of Foreign Ministers on the question of convening an International Meeting on Cooperation and Development, the wish for the participation of the Head of State or of Government of the Soviet Union was conveyed to the Soviet Union.

August 2, 1981

国际合作和发展会议

REUNION INTERNACIONAL SOBRE COOPERACION Y DESARROLLO

REUNION INTERNATIONALE SUR LA COOPERATION ET LE DEVELOPPEMENT

INTERNATIONAL MEETING ON COOPERATION AND DEVELOPMENT

PREPARATORY MEETING OF MINISTERS OF FOREIGN AFFAIRS

Cancún, 1-2 August, 1981

PRESS RELEASE

PREPARATORY MEETING OF FOREIGN MINISTERS FOR THE CONVENING
OF THE INTERNATIONAL MEETING ON COOPERATION AND DEVELOPMENT

1. The Preparatory Meeting of Foreign Ministers for the convening of the International Meeting on Cooperation and Development (IMCD) met at Cancún, Mexico, on the 1st and 2nd of August, 1981. The Preparatory Meeting, co-chaired by Mr. Jorge Castañeda, Secretary of Foreign Affairs of Mexico and Mr. Willibald Pahr, Federal Minister for Foreign Affairs of Austria, was attended by Ministers of Algeria, Austria, Bangladesh, Brazil, Canada, China, France, Federal Republic of Germany, Guyana, India, Ivory Coast, Japan, Mexico, Nigeria, Philippines, Saudi Arabia, Sweden, United Republic of Tanzania, United Kingdom, United States of America, Venezuela and Yugoslavia. (The list of the Heads of Delegation is annexed).
2. The IMCD will be held in Cancún, Mexico, on October 22nd and 23rd, 1981, under the Co-Chairmanship of the President of Mexico, José López Portillo, and the Federal Chancellor of Austria, Bruno Kreisky.
3. In accordance with the letter of invitation addressed to the Heads of State or Government participating in the IMCD, the Preparatory Meeting dealt with the following three questions: evaluation of recent developments in the field of international cooperation for development; definition of the main topics to be considered at the October Meeting, and finalization of preparations for this Meeting.
4. During the discussions, the character of the Meeting as established in the two Vienna consultations and expressed in the letter of invitation, was confirmed. Accordingly, the Meeting will be political in character, conducted in an open and informal atmosphere, not engaging in negotiations but providing an opportunity for an exchange of views on major issues of international cooperation for development.

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5. In evaluating recent developments, the current situation regarding the Global Round of Negotiations was assessed; the importance of the conclusions of the Caracas Conference on Economic Cooperation among Developing Countries was highlighted, and a positive appraisal was made of the Ottawa Summit Declaration in regard to relations between developed and developing countries.

6. The Ministers agreed, after extensive discussions, that the Meeting will not work on the basis of a formal agenda, but rather within a discussion framework which would:

- reflect the complexity of the current problems of the world economy as well as the interrelationship among them;
- offer the opportunity for an exchange of views of a general nature on the future of North-South relations, in particular on interdependence and mutuality of interest among developing and developed countries;
- encompass major areas of concern on which to focus discussions; and
- allow for the possibility that participants could address additional questions if they so desire.

The Ministers further agreed that, in conformity with the letter of invitation, while having no formal link with the Global Round of Negotiations, a main objective of the Meeting should be to facilitate agreement with regard to the said Global Round of Negotiations by means of achieving a real meeting of minds and positive political impetus by Heads of State or Government for these and other efforts of international economic cooperation in other fora, without in any way preempting or substituting for them.

Accordingly, they agreed on the following item as the framework for discussions at the Meeting: the future of international cooperation for development and the reactivation of the world economy, including areas such as food security and agricultural development; commodities, trade and industrialization; energy; monetary and financial issues.

7. The Ministers confirmed that the conclusions of the Meeting will be expressed in a summary by the Co-Chairmen.

8. It was agreed that the Secretary General of the United Nations will be invited to the Meeting as a special guest.

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9. Agreement was also reached on a number of procedural and organizational questions.
10. The Ministers expressed their gratitude to the Government of Mexico for the warm reception and hospitality provided for the Preparatory Meeting.

Cancún, Mexico, August 2nd, 1981

AGENDA ITEMINTERNATIONAL FORUM1. Raw Materials and Food

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|---|---------------------------------------|
| Stabilization of export earnings | IMF |
| Storage, processing, transportation, marketing, distribution of commodities and raw materials | FAO, WFC, UNCTAD MDBs, UNDP |
| Development of natural resources | MDBs |
| Expansion of food production (Resource transfers, R and D, national strategies) | FAO, IFAD, MDBs, CGIAR, UNDP, etc. |
| World food security | FAO, WFC, IWC |

2. TRADE

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| Protectionism, structural adjustment, access to markets | GATT, UNCTAD |
| Shipping | UNCTAD |

3. ENERGY

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| Measures to meet energy requirements | MDBs |
| Conservation | |
| Exploration, research and development of energy sources | MDBs, UNCNRSE |
| Supply and demand of energy | |
| LDC participation in downstream activities | |

4. DEVELOPMENT

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| Transfer of technology | UNCTAD, UNIDO, UNICSTD, UN Conference on International Code of Conduct on the Transfer of Technology |
| Promoting industrialization of LDCs (restructuring world industry/positive adjustment) | UNIDO, GATT, UN Regional Commissions |

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| Development of LDC infrastructure | UNIDO, MDBs, UNDP |
| National demographic policies | ECOSOC, UNFPA |
| Assist LLDCs to overcome structural problems | UN Conference on LLDCs, IBRD, GATT, UNDP |

5. Money and Finance

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| Financing of balance of payments deficits | IMF, IBRD |
| Transfer of resources: Concessional (ODA) Non-Concessional (investment, access to capital markets, co-financing) | IMF/IBRD Dev. Committee DC and DC Task Forces, UN Commission on TNC |
| Debt problems | IMF |
| International liquidity | IMF |
| Exchange rate surveillance | IMF |
| LDC participation in decision-making | IBRD, IMF |
| Adjustment process and contributions of IFIs | IBRD, IMF |
| Terms and Conditions for use of IMF Resources | IMF |
| Impact of inflation on growth development | IMF, IBRD |
| Protection of financial assets (indexing and confiscation) | |

Explanation of Acronyms

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|-------------------------|---|
| CGIAR | Consultative Group on International Agricultural Research |
| ECOSOC | UN Economic and Social Council |
| FAO | Food and Agriculture Organization |
| GATT | General Agreement on Tariffs and Trade |
| IEA | International Energy Agency |
| IFAD | International Fund for Agricultural Development |
| IMF | International Monetary Fund |
| IWC | International Wheat Council |
| LLDCs | Least Developed Countries |
| MDBs | Multilateral Development Banks |
| IBRD | International Bank for Reconstruction and Development (World Bank) |
| ADB | Asian Development Bank |
| AfDB | African Development Bank |
| IDB | Inter-American Development Bank |
| UN Commission on TNC | United Nations Commission on Transnational Corporations |
| UNCNRSE | United National Conference on New and Renewable Sources of Energy |
| UNCTAD | United National Conference on Trade and Development |
| UNDP | United National Development Program |
| UNFPA | United Nations Fund for Population Activities |
| UNICSTD | United Nations Intergovernmental Committee on Science and Technology for Development |
| UNIDO | United Nations Industrial Development Organization |
| WFC | World Food Council |